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March 24, 2000

VIA HAND-DELIVERY

Magalie Salas, Esq.
Secretary
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Room TW-B204
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Washington, D.C. 20554

RECEIVED
MAR 24 2000
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Ex Parte Presentations
CC Docket No. 96-45
CC Docket No. 97-160

Dear Ms. Salas:

This letter is to inform you that on March 22 and March 23, 2000, ex parte presentations were made regarding CC Dockets 96-45 and 97-160 to the following Commission personnel:

Kyle Dixon, Esq. (Office of Commissioner Powell)
Carol Matthey, Esq. (Common Carrier Bureau)
Jordan Goldstein, Esq. (Office of Commissioner Ness)
Sarah Whitesell, Esq. (Office of Commissioner Tristani)
Katherine Schroder, Esq. (Common Carrier Bureau)


A copy of the written presentation to the above staff members is attached hereto. The written presentation was delivered to the above personnel during meetings between Commission staff and representatives of Roseville Telephone Company, discussing the topics set forth in the written presentation. In addition to the attached written presentation, pleadings filed by Roseville Telephone Company in the above captioned dockets were also distributed during the presentations.

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FLETCHER, HEALD & HILDRETH, P.L.C.

An original and one copy of this letter and two copies of the attached presentation is being filed. If additional copies of this filing are required, or should any questions arise concerning this matter, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Paul Feldman", with a long horizontal flourish extending to the right.

Paul J. Feldman
Counsel for Roseville
Telephone Company

Enclosure

cc: Kyle Dixon, Esq. (w/encl.)
Carol Matthey, Esq. (w/encl.)
Jordan Goldstein, Esq. (w/encl.)
Sarah Whitesell, Esq. (w/encl.)
Katherine Schroder, Esq. (w/encl.)

Roseville's Issues For Reconsideration in the Universal Service Proceeding

(CC Dockets 96-45 & 97-160)

1. Interstate Long Term Support (LTS) Should Not be Included in "Hold-Harmless" and/or "Phase-Out" Provisions of the New Federal Intrastate Support Mechanism
2. The Dividing Line Between "Large" and "Small" Carriers in the New Federal Mechanism Should be Changed to 200K Lines

Issue Summary

1. **Interstate Long Term Support (LTS) Should Not be Included in “Hold-Harmless” and/or “Phase-Out” Provisions of the New Federal Intrastate Support Mechanism:**
 - In the 9th R&O in Docket 96-45 the Commission Included LTS As Part of the “Hold-harmless” Support Which Is Proposed to Be Eliminated After an Interim Period.
 - This action appeared to be an inadvertent error:
 - LTS represents recovery of interstate costs,
 - Interstate costs are specifically excluded from the new high-cost support mechanism which provides support for intrastate costs.
 - If LTS is Eliminated, This Will Have Unintended Harmful Consequences on Rural LECs, IXC's and Consumers.
 - PFRs Filed by Roseville, Puerto Rico and NECA.
 - No opposition to PFRs
 - Joint Board has issue under advisement.

Issue Summary

2. The Dividing Line Between “Large” and “Small” Carriers in the New Federal Mechanism Should be Changed to 200K Lines From the Rural/Non-Rural Distinction

- The Current USF Rules Define Two Types of Study Areas:
 - “65%” - Study Areas With Less Than 200K Lines Recover 65% of High Costs From the USF
 - “10%” - Study Areas With More Than 200K Lines Recover Only 10%
- Under 200K Areas Experience 6 1/2 Times More Phase-out Impact.
- Companies With Less Than 200K Lines Have Significantly Less Economies of Scope and Scale Than the RBOCs and GTE.
- Non-rural Study Areas Under 200K Lines Experience Transitional Problems Identical to Those of Rural Study Areas.
- We Are Seeking No Change in the “Rural” Definition As It Impacts Sect. 251
- PFR Filed by Roseville.
- Oppositions Filed by the State of California and MCI.

Summary of Oppositions

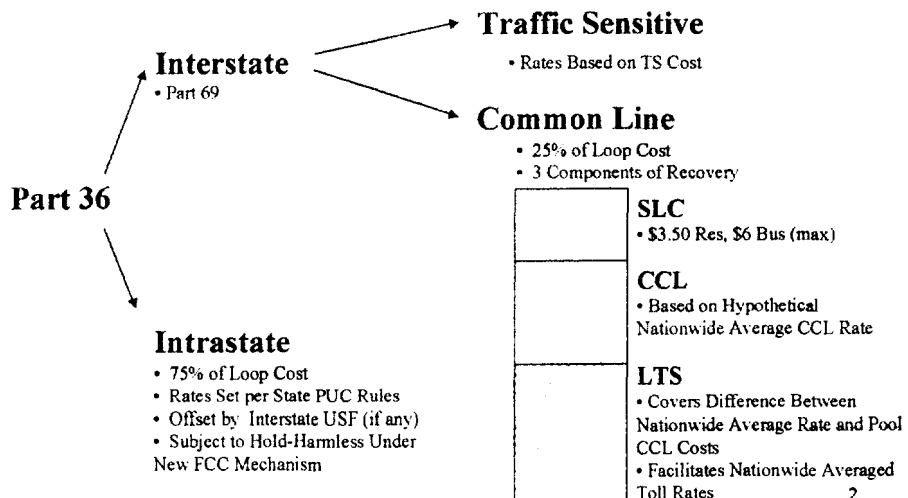
| Party | Issue | Response |
|------------|--|---|
| California | Roseville will use "rural" designation to avoid interconnection obligations under Section 251. | <ul style="list-style-type: none"> • Roseville is not seeking to be designated as a "rural" carrier. • We are seeking a change in the break point to recognize current USF rules. • Roseville is meeting interconnection obligations and the CPUC is in position to monitor and enforce. |
| | Roseville is treated under the California "New Regulatory Framework" (NRF) | <ul style="list-style-type: none"> • Both "non-rural" and "rural" LECs are currently under the NRF. |
| | Congress intended the "rural" designation to apply for both interconnection and universal service. | <ul style="list-style-type: none"> • Section 254 does not contain the words "Rural Telephone Company" • The FCC itself recognized that it was not required to use the rural/non-rural distinction. (10th R&O Paragraph 458) |
| MCI | Roseville did not offer evidence that the cost model was incorrect. | <ul style="list-style-type: none"> • Roseville is not addressing (at this time) the application of the cost model. • Roseville is merely requesting that the break point between "small" and "large" companies for treatment under the new explicit mechanism be changed to the 200K lines used in the current USF. |
| | Roseville's average line density is more like a non-rural company than a rural company. | <ul style="list-style-type: none"> • Averages are misleading. • Roseville does not have many lines in the highest (least costly) density zones as a typical RBOC would. |

Universal Service Issues

(Backup Material)

Roseville Telephone Company
March, 2000

Rates For NECA Pooling LECs



The New Mechanism Excludes Interstate Costs

"Our current separations rules allow carriers to recover 25 percent of their book loop costs through interstate rates... We therefore conclude that the forward-looking mechanism will calculate support based on 75 percent of forward-looking loop costs.... We emphasize that this will not undermine the federal mechanism's ability to provide sufficient support. Rather, it is merely a safeguard to ensure that our mechanism adequately takes account of our separations rules and the division of cost recovery responsibility set forth in those rules." (*9th R & O CC Docket 96-45 Paragraph 63*)

What Does This Mean?

- **Interstate Costs are Specifically Excluded From New Mechanism.**
- **LTS Recovers Interstate Costs Allowed by Separations Rules.**
- **It is Inappropriate to Eliminate LTS due to New Mechanism.**

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Unintended Consequences

If LTS is Eliminated For The 3 Non-Rural LECs Who Receive it:

- There Will be an Immediate Shortfall in NECA Common Line Pool Revenues
- NECA Will be Forced to File a CCL Rate Increase of as High as 42%
- Any Decrease in IXC Payments in Support of LTS Will be Offset by the NECA CCL Increase
- The Disparity Between Urban and Rural Access Charges Could Threaten Nationwide Average Toll Rates
- If LECs are Forced to File Higher CCL Rates Then Customers May not Have Access to Discount Rate Plans

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The Bottom Line on LTS

- LTS For Non-Rural LECs Cannot be Phased-Down or Eliminated Unless and Until a Complete Review of Common Line Pricing for NECA Pooling LECs is Completed
- NECA Also Petitioned for Reconsideration of Including LTS in the Hold-Harmless Provisions
- No Party Opposed the Reconsideration of LTS

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USF Computation Rules

| | Costs Above Nat'l Average | |
|---------------------------------|---------------------------|------|
| | 115% | 150% |
| Study Areas Under 200,000 Lines | 65% | 75% |
| Study Areas Over 200,000 Lines | 10% | N/A* |

* Study areas with over 200,000 line above 150% of nationwide average cost receive support for 30% of costs over 150%. Puerto Rico is the only area where this applies

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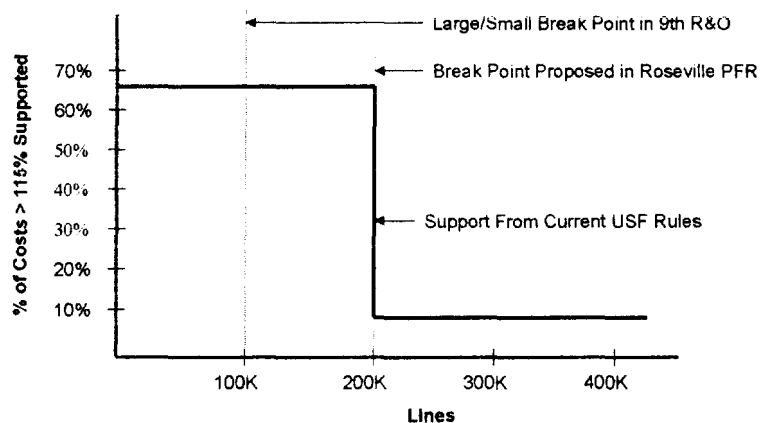
A Tale of 3 Companies

| | A | B | C |
|--|----------------|----------------|----------------|
| Lines | 4,500,000 | 120,000 | 4,500 |
| Class | Non-Rural | Non-Rural | Rural |
| Cost/Line* | \$35.00 | \$35.00 | \$35.00 |
| Nat'l Average* | <u>\$25.00</u> | <u>\$25.00</u> | <u>\$25.00</u> |
| Difference | \$10.00 | \$10.00 | \$10.00 |
| USF | \$1.00 | \$6.50 | \$6.50 |
| Per-Line Impact of 3-Year Phase- Out (USF/3) | \$0.33 | \$2.16 | \$2.16 |

*Hypothetical values for illustration purposes. All figures are \$/line/month.

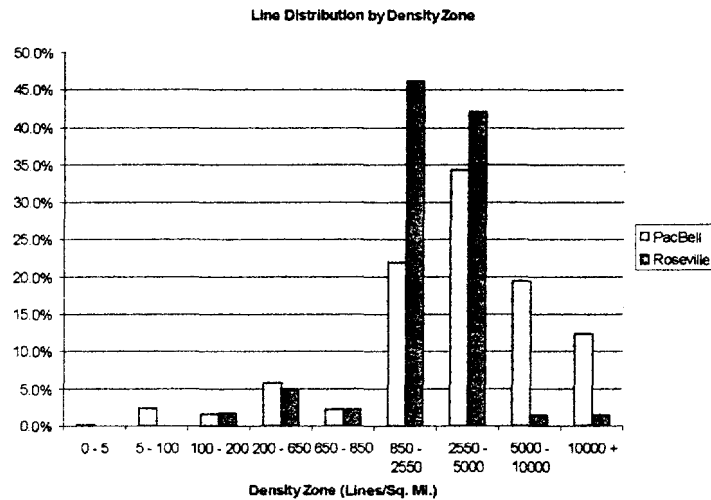
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The "Kinked" Support Curve



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Roseville is Not Like an RBOC



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Who Would be Impacted?

Non-Rural Study Areas < 200K Lines Receiving Hold-Harmless Support

| Study Area | USF Loops | Hold Harmless |
|------------------------------|-----------|---------------|
| P R T C - Central | 157,150 | \$19.00/mo. |
| Roseville Telephone Company | 117,860 | \$4.51/mo. |
| GTE North Inc - Missouri | 128,032 | \$3.26/mo. |
| North State Tel Co-Nc | 126,149 | \$1.59/mo. |
| Contel Of North Carolina Db | 128,838 | \$1.50/mo. |
| GTE Southwest Inc - Oklahoma | 118,118 | \$0.30/mo. |

Source: NECA 1Q2000 High-Cost Funding Report App 1 (annualized)

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In Summary

1. LTS Should Not be Eliminated Until A Comprehensive Review of Common Line Pricing For Common Line Pooling Companies Has Been Completed Through Ongoing Access Reform.
2. Companies With Less Than 200,000 Lines in a Study Area Should be Treated Under Terms to be Recommended by the Rural Task Force.

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